Responsible Retailing Paying Dividends

LCBO ANNUAL REPORT 2007–08

Fifth consecutive year dividend has topped $1 billion

REVENUE HELPS SUPPORT HEALTH CARE, EDUCATION,
AND OTHER IMPORTANT GOVERNMENT PROGRAMS.
GROWING THE BUSINESS IN A SOCIALLY-RESPONSIBLE MANNER.

Strong and proud supporter of Ontario wine and craft beers

LCBO DEVELOPS PROGRAMS TO HELP LOCAL PRODUCERS GROW AWARENESS
AND SALES OF ONTARIO WINES AND CRAFT BEERS.

Reducing the environmental impact

BAG-IT-BACK PROGRAM HAS RECYCLED 250 MILLION BEVERAGE ALCOHOL CONTAINERS AND COUNTING.

LCBO HAS PHASED OUT PLASTIC SHOPPING BAGS AND IS ON TARGET TO REDUCE ITS ENERGY CONSUMPTION AT ITS STORES AND WAREHOUSES BY 10 PER CENT.

Social responsibility

LCBO STORE STAFF CHALLENGED MORE THAN TWO MILLION PEOPLE WHO APPEARED UNDERAGE OR INTOXICATED.

SINCE 1995, THE LCBO HAS CONDUCTED MAJOR ADVERTISING CAMPAIGNS IN PARTNERSHIP WITH MADD CANADA TO RAISE AWARENESS ABOUT THE RESPONSIBLE USE OF ALCOHOL.

Customer service

WE'RE MEETING THE CHANGING TASTES AND EVOLVING INTERESTS OF OUR DIVERSE CUSTOMERS ACROSS THE PROVINCE.

WE CONTINUE TO IMPROVE SERVICE BY RENOVATING, REPLACING AND BUILDING NEW STORES.

SURVEY IN 2007–08 SHOWED 79 PER CENT OF OUR CUSTOMERS RATE THEIR OVERALL SHOPPING EXPERIENCE AS AN EIGHT OR HIGHER ON A 10-POINT SCALE.

Letter of Transmittal

The Honourable Dwight Duncan
Minister of Finance

Dear Minister,

I have the honour to present you with the 2007–08 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Philip J. Olsson
Chair

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Message from the Minister

As Minister of Finance, with responsibility for the LCBO, I am pleased to provide you with the LCBO annual report for the fiscal year 2007–08.

Reporting to my Cabinet colleague, the Honourable David Caplan, who previously held responsibility for the LCBO, the agency worked during fiscal 2007–08 to meet the expectations of government, customers, taxpayers and other stakeholders.

The LCBO's net sales and other income in 2007–08 was $4.1 billion. The LCBO transferred another record dividend of $1.345 billion to the Government of Ontario (excluding taxes). It was the 14th straight year the LCBO increased its dividend to the province and the fifth consecutive year the dividend topped $1 billion. Revenue from the LCBO helps pay for health care, education and other important government programs and services.

The LCBO is a strong, proud supporter of Ontario wines and craft beers; it uses displays, promotions, special events and employee development programs to keep local producers in the spotlight. The success of these initiatives is in the numbers. In fiscal 2007–08, Ontario craft beers rose 37 per cent, Ontario VQA table wine sales were up 11.8 per cent and total sales from Ontario wineries were up 6.2 per cent.

The LCBO also continued to reduce the environmental impact of its operations this past fiscal year. In February 2007, a new deposit return program was implemented in the province. To date, this government initiative has resulted in more than 250 million alcohol containers being returned to The Beer Store for recycling. This program's success is a win for municipalities, a win for the environment and a win for Ontarians. In 2008, LCBO took this environmental stewardship a step further by phasing out plastic shopping bags, eliminating some 80 million bags a year from the waste stream across Ontario.

On its own, and in partnership with others, the LCBO continues to promote responsible drinking and discourage high-risk activities such as drinking and driving, while maintaining vigilant responsible service to prevent sales to minors and intoxicated adults. The LCBO's challenge and refusal program helps make sure only the right people get served.

In fiscal 2007–2008, LCBO store staff challenged more than two million people who appeared underage or intoxicated. Just over 134,000 were refused service – a nine per cent increase from the previous year, which was a new record. Of those refused, 83 per cent were for age-related reasons.

While growing the business in a socially-responsible manner, the LCBO effectively managed its operating costs through good expense control as witnessed by its expenses as a percentage of net sales, which by the end of 2007–08 improved to 16.1 per cent from the previous year's level of 16.2 per cent. Each one per cent reduction in operating expenses translates into $40 million in savings.

To meet the changing tastes and evolving interests of its diverse customers in communities across the province, the LCBO continues to improve its service by renovating, replacing or building new stores, always basing these decisions on customer and market research and a solid return on investment.

In 2007–08, five new stores were opened, eight stores were relocated and one major expansion occurred. Combined, these new additions to the LCBO store network added 60,000 square feet of selling area and these projects are forecast to generate an additional $21 million in incremental sales on an annual basis.

With Philip Olsson as Chair, supported by a dedicated board and seasoned management team led by President and CEO Bob Peter, I'm confident the good corporate governance, transparency and accountability of the LCBO will continue in 2008–09; the LCBO will keep pace with changing market conditions and trends in the beverage alcohol industry and fulfil its mandate to be a socially-responsible, performance-driven, innovative and profitable retailer.

Sincerely,

THE HONOURABLE DWIGHT DUNCAN
Minister of Finance

Corporate Structure

The LCBO is a Crown agency reporting to the Minister of Finance and is classified by the Ontario government as an operational enterprise. Its mission is: "We are a socially responsible, performance-driven, innovative and profitable retailer, engaging our customers in a discovery experience of the world of beverage alcohol."

The LCBO has a board consisting of up to 11 members. They are appointed by the lieutenant-governor, through orders-in-council, on the recommendation of the premier and the Minister of Finance. Members are appointed for a term of up to five years. There are regular board meetings.

The mandate of the board is to oversee the management of the business affairs of the LCBO. Among its most important responsibilities are:

- ensuring that the LCBO provides high-quality service to the public
- monitoring and reviewing the corporation's approach to corporate governance
- approving the strategic plan and monitoring management's success in meeting its business plans
- approving annual financial and business plans
- ensuring that the organization remains financially sound
- assessing and managing business risks
- submitting annual financial plans and business plans to the Minister of Finance
- ensuring the organization has an appropriate communications policy
- ensuring that the LCBO performs its role in a fair, ethical and impartial manner and in accordance with applicable laws
- establishing and overseeing the succession planning of senior management
- ensuring that policies and processes are in place to ensure the integrity of the corporation's internal controls.

AUDIT COMMITTEE

The audit committee is responsible for the reliability and accuracy of the LCBO's financial statements and for overseeing the LCBO's risk management function.

GOVERNANCE AND COMPENSATION COMMITTEE

The governance and compensation committee is responsible for recommending the LCBO's corporate governance policies and practices and ensuring that the LCBO adheres to sound corporate governance principles. It also makes recommendations concerning human resources and compensation matters.

ETHICS AND BUSINESS CONDUCT

The board has adopted a code of conduct that includes policies addressing conflict of interest, confidentiality, the outside activities of employees and officers, gifts and entertainment, and human rights.

HEALTH AND SAFETY

The board approves an annual health and safety policy and ensures it is kept informed of health and safety issues through regular reports.

STORE PLANNING AND DEVELOPMENT COMMITTEE

This is a management committee that reviews real estate and leasing transactions and makes recommendations to the board for final approval.

LISTINGS APPEALS COMMITTEE

This committee reviews appeals of denials of product listing applications.

ACCOUNTABILITY

The LCBO is accountable to its stakeholders in a number of ways, including:

- its annual report must be tabled in the provincial legislature and be available to all Ontarians in print or online at www.lcbo.com
- annual audits of LCBO financial statements are required by the *Liquor Control Act* and conducted by the office of the auditor general of Ontario
- it is subject to the *Freedom of Information and Protection of Privacy Act*, which provides for public access to various records
- board members must be appointed by an order-in-council
- various statutory reporting requirements under the *Liquor Control Act* require the corporation to provide reports to the Minister of Finance and the Treasurer of Ontario
- the corporation is required to comply with applicable Management Board's directives.

SENIOR MANAGEMENT TEAM

Day-to-day operations of the LCBO are overseen by the following members of senior management:

BOB PETER, president and chief executive officer

LESLEY DE BOERR, chief audit executive and executive director, Internal Audit Services

JACKIE BONIC, vice-president, Store Development and Real Estate

ALEX BROWNING, senior vice-president, Finance and Administration, and chief financial officer

NANCY CARDINAL, vice-president, Marketing and Customer Insights

BOB DOWNEY, senior vice-president, Sales and Marketing

ROY ECKER, senior vice-president, Retail Operations

MARY FITZPATRICK, senior vice-president, general counsel and corporate secretary

PATRICK FORD, senior director, Policy and Government Relations

MURRAY KANE, senior vice-president, Human Resources

HUGH KELLY, senior vice-president, Information Technology

BILL KENNEDY, executive director, Corporate Communications

IAN MARTIN, senior vice-president, Logistics

BARRY O'BRIEN, director, Corporate Affairs

GEORGE SOLEAS, vice-president, Quality Assurance

SHELLEY SUTTON, director, Strategic Planning

TOM WILSON, vice-president, VINTAGES

Board Members

Philip J. Olsson

Appointed vice-chair in June, 2004, became acting chair and CEO on February 6, 2006, and non-executive chair (pursuant to the new *Liquor Control Act*) on March 7, 2007. Term expires March 6, 2010.

Mr. Olsson is a partner in K J Harrison & Partners Inc., a privately-held investment firm for private individuals. He has had a career of more than 30 years in finance, as an investor and investment and commercial banker, including managing director, Private Equity, at Altamira Investment Services Inc., where he restructured and oversaw Altamira's private equity functions. Prior to that he was managing director of Royal Bank Equity Partners Limited, the Royal Bank Financial Group's merchant banking unit, and, before that, was vice-chairman of RBC Dominion Securities, Canada's largest investment bank. Mr. Olsson holds BA and MBA degrees from Vanderbilt University, Nashville, Tennessee, and studied monetary economics as a postgraduate at the London School of Economics. He holds a CBV designation from the Canadian Institute of Chartered Business Valuators. He has long been active in community and civic affairs on behalf of such organizations as the United Way, Atlantic Salmon Federation, the Shaw Festival and Trout Unlimited.

Steve Diamond

Appointed September 21, 2005, and appointed vice-chair March 7, 2007. Term expires March 6, 2010.

Mr. Diamond is currently president of Diamondcorp, a real estate development and consulting business, and is a director of Whitecastle Investments. Prior to entering the real estate business, Mr. Diamond was a partner at McCarthy Tetrault and head of its municipal and environmental law department. He also served as director of the firm. In his practice, he acted as counsel on some of the largest and most sophisticated projects approved in the Greater Toronto Area for both private and public sector clients. Mr. Diamond is active in the community, serving as chair of PAYE (partnership to advance youth employment), director of the Mount Sinai Hospital Foundation, and is a member of Toronto Mayor David Miller's Committee on Community Safety. Mr. Diamond received his LLB from the University of Western Ontario and was called to the Ontario bar in 1978. He gives back to the educational community through frequent lectures at local law schools and other educational organizations.

Heather Andrechuk

Appointed August 24, 2006. Term expires August 23, 2009.*

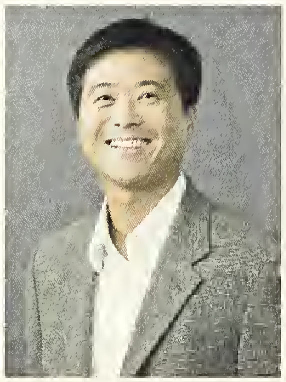
Ms. Andrechuk has more than 25 years' experience in the retail industry, having worked for the Hudson Bay Company in progressive leadership positions in a variety of functions from buying and financial planning to sales and marketing. She led major change initiatives at regional flagship stores in both Winnipeg and Vancouver and helped create the company flagship store in downtown Toronto. She became a regional manager and vice-president. She was then appointed director of Stores and Operations for Home Outfitters (a bed, bath and kitchen specialty chain and a HBC affiliate), managing a portfolio of more than 50 stores and 2,500 employees. Ms. Andrechuk is a graduate of the University of Manitoba and a volunteer with Mater Dei, a non-profit organization helping women with addictions.

*Ms. Andrechuk resigned from the LCBO board December 12, 2007

Geoffrey R. Larmer

Appointed May 30, 2006. Term expires May 29, 2009. Member, Governance and Compensation Committee.

Mr. Larmer is president of Larmer Professional Corporation, North Bay, a law firm restricted to personal injury and insurance litigation. His practice gives him a unique perspective on social responsibility and liability, particularly in terms of underage alcohol consumption and the consequences of not drinking responsibly. His clients include victims of drinking and driving accidents. He graduated from the University of Western Ontario in 1989 with an honours degree in Medical Biophysics and in1992 with a bachelor of laws degree. He articled with Bereskin & Parr, Toronto, where he trained in intellectual property, patent, trademark, copyright and related licensing matters. He was called to the bar in 1994 and founded Larmer & Larmer Barristers, North Bay. Larmer Professional Corporation was formed in 2005. He is a member of Nipissing Law Association, Ontario Trial Lawyers Association and the Association of Trial Lawyers of America, and a former director and past-president of the North Bay and District Humane Society.



Jay Lee

Appointed May 30, 2007. Term expires May 29, 2010. Member, Audit Committee.

Jay Lee is a capital markets professional with wide experience in portfolio management, trading and analysis in U.S. and Canadian capital markets. He is director, Institutional Equity Trading, Blackmont Capital Inc., a Toronto based-investment dealer providing research, trading and investment banking services. A Chartered Financial Analyst with a Bachelor of Arts degree in economics from the University of Toronto, he has a diverse background including trading and analysis in a broad array of sectors and products such as equities, equity and credit derivatives.

Penny Lipsett

Appointed May 30, 2007. Term expires May 29, 2010. Member, Governance and Compensation Committee.

Penny Lipsett is an investor and government relations specialist. She has spent much of her career in the political and business worlds. Following graduation from the University of Western Ontario, she worked on Parliament Hill in Ottawa as a special assistant to a cabinet minister (Judd Buchanan) during the Trudeau years. Following this and until 1992, she worked for Xerox Canada in increasingly responsible roles concluding with the management of all corporate affairs functions. Ms. Lipsett returned to Parliament Hill as chief of staff to Justice Minister Allan Rock from 1993 to 1995. Since 1995, she has run her own consulting practice with a focus on investor and government relations. Her clients include Sherritt International, Manulife Financial and the Westaim Corporation. She is on the board of bank holding company MBNA (Canada).

Laurel Murray

Appointed August 8, 2005, renewed August 8, 2008. Term expires August 7, 2011. Chair, Audit Committee.

Ms. Murray is a chartered accountant with more than 18 years of senior management experience in the private and public sectors. Since 2000, Ms. Murray has headed up her own management consulting firm. Over the past 20 years, she has helped a number of federal and provincial agencies and ministries improve the way they manage risks, measure performance and improve accountability. Ms. Murray is a proponent of good governance and oversight. She also has a keen interest in the environment. Her areas of expertise include strategic planning and reporting; performance measurement; integrated risk management; financial management, accounting and auditing; financial systems; project management; program implementation and organizational design. She graduated with honours from Carleton University in 1986 with a Bachelor of Commerce. She received her Chartered Accountant designation from the Canadian Institute of Chartered Accountants in 1989. An active mother, wife and volunteer, Ms. Murray balances work and family while still playing an active role in helping those in need in her community.

Jean Simpson

Appointed November 3, 2004. Renewed November 3, 2007. Term expires November 2, 2010. Chair, Governance and Compensation Committee.

Ms. Simpson has had a lifelong interest in mental health, beginning her career as a nurse and moving into management at the Clarke Institute of Psychiatry and Women's College Hospital in Toronto. She then became director of Mental Health Programs and Services at the Ministry of Health, returning to the Clarke Institute as executive vice-president and COO and subsequently executive vice-president and chief operating officer of the Centre for Addiction and Mental Health when it was created in 1998. She retired in June, 2003, but continues her work in mental health through membership on the boards of the Ontario Council of Alternative Businesses, a not-for-profit organization with a provincial mandate to develop alternative businesses owned and operated by psychiatric survivors and consumers of the mental health system and as Chair of Workman Arts, a project that provides individuals with mental health and addiction issues multi-disciplinary artistic opportunities in film, theatre, literary arts, visual arts and music. As a former COO, she also coaches senior business executives.

Ramesh Srinivasan

Appointed April 18, 2007. Term expires April 17, 2010. Member, Audit Committee.

Ramesh Srinivasan is a senior hospitality educator with more than 25 years of international experience in hospitality management. He holds a masters degree in hotel administration from Cornell-Essec in Paris, France. Areas of expertise include hotels, restaurants, catering and convention centre management, marketing and finance. He is professor of Hotel and Restaurant (Hospitality) Management, School of Hospitality, Recreation and Tourism, Humber Institute of Technology and Advanced Learning, Toronto. Areas of specialization include food and wine pairing, revenue management, hospitality systems and controls, entrepreneurship, convention and meetings management. His professional certifications include Certified Specialist of Wine; Advanced Certificate in Wines and Spirits; Certified Hospitality Educator; and Certified Foodservice Manager. He is a member of the Hospitality Sales and Marketing Association

International; Canadian Association of Professional Sommeliers; International Council on Hotel Restaurant and Institutional Education; Canadian Restaurant and Foodservices Association and the Institute of Internal Auditors.

Harvey T. Strosberg, QC, LLD, DCL

Appointed March 7, 2007. Term expires March 6, 2010. Member, Governance and Compensation Committee.

Mr. Strosberg, Q.C., is a senior partner at Sutts, Strosberg, LLP, Windsor. He has extensive trial and appellate experience in the areas of torts, personal injury, product liability, commercial disputes and class action litigation. He was called to the bar in 1971, has been a bencher (director) of the Upper Canada Law Society since 1987 and was treasurer (president) from 1997 to 1999. He is the editor of the *Canadian Class Action Review*. He is an adjunct professor of law at the University of Windsor. He teaches a course in class action law at the University of Windsor law school and lectures annually at the University of Ottawa.

Enterprise Risk Management

Every business faces risks, such as a breach of computer systems or a downturn in the economy, and must make plans to manage them.

At the LCBO, in 2006–07, we took steps to identify various risks to the organization and assess these potential threats to our business. Risks identified ranged from changing customer demographics to cross-border issues and their effect on tourism.

An Enterprise Risk Management Group was set up to identify risks, how likely they were to occur, how they could be controlled and what could be done to lessen their impact if they occurred. More than a dozen focus groups with senior management members and department managers at head office were held and identified business risks, from possible to unlikely, serious to negligible. All divisions were involved in these risk management brainstorming sessions and risks were tied directly to divisional business plans.

A further review and assessment of these potential risks was conducted in 2007–08 resulting in 17 key business risks identified and incorporated into the annual business plans of various divisions.

Risk champions have been assigned within each division to develop and implement risk mitigation strategies. The Audit Committee of the LCBO board has reviewed these plans.

An ongoing process of monitoring, assessing and implementing a risk management process will continue to be developed to identify and assess new risks and ensure current risks are mitigated appropriately.

Looking ahead, these 17 risks will be adjusted as to their priority as the business environment changes or full mitigation strategies are in place.

Management Discussion and Analysis of Operations

BEYOND THE NUMBERS 2007–08

Canadian securities regulations require public companies to include a discussion of operating results in the annual report, along with annual financial statements. As a provincial government enterprise, LCBO is not subject to these regulations. However, we have included this discussion to increase understanding of our operations and ensure disclosure of our results to the widest possible audience. This section of the LCBO annual report explains the financial results for the past year and provides background for evaluating its performance.

HIGHLIGHTS

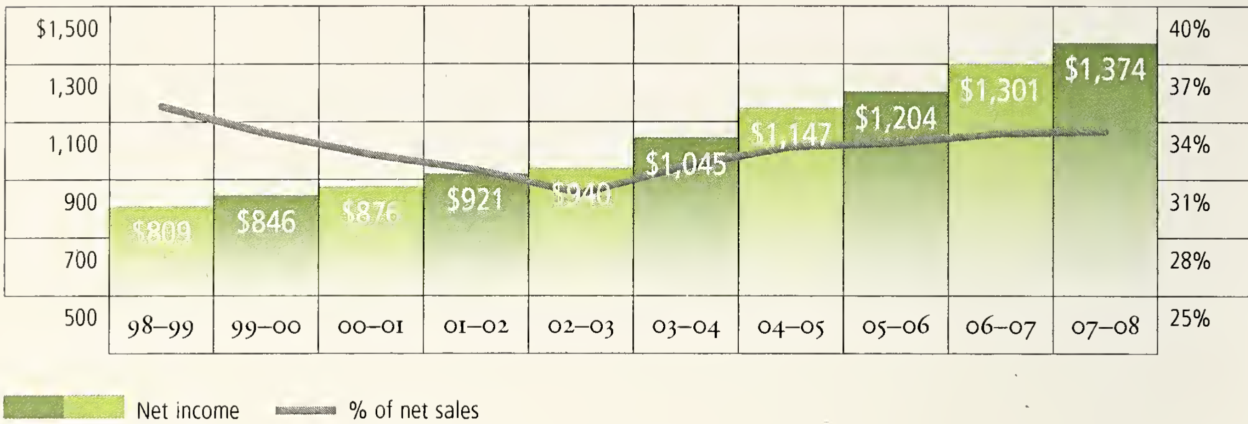
(value in $000)	2006–07	2007–08	% change
Dividend to government	1,279,700	1,345,000	5.1%
Net sales and other income	3,922,648	4,133,191	5.4%
Operating expenses	632,750	659,429	4.2%
Net income	1,300,601	1,374,357	5.7%

NET INCOME

LCBO net income reached an all-time high in 2007–08, totalling $1.374 billion and representing a $73.8 million increase over the previous fiscal year. Net income as a percentage of net sales improved to 33.5 per cent from 33.4 per cent a year ago and 0.5 per cent better than plan.

The following chart gives a 10-year history of LCBO net income and net income as a percentage of net sales.

Net income ($000,000) **and as percentage of net sales**



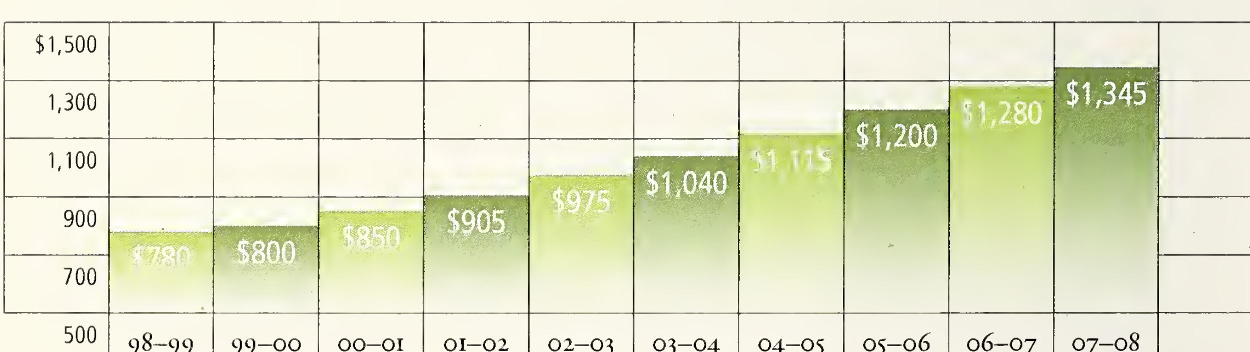
Since 1998–99, LCBO net income has grown by 69.8 per cent or $565 million. Net income growth has exceeded growth in net sales since 2002–03 through improved margins and expense control.

DIVIDEND

The LCBO transferred a record $1.345 billion dividend to the government of Ontario in 2007–08, excluding all taxes. This represents a $65 million increase over last year. It was the 14th straight year the LCBO increased its dividend to government, the 13th straight record year and the fifth consecutive dividend of more than $1 billion.

The following chart gives a 10-year history of LCBO dividends transferred to the government of Ontario.

Dividend ($000,000)



Since 1998–99, the dividend has grown by 72.4 per cent or $565 million. Over the past 10 years, the LCBO has transferred $10.290 billion in dividends to the provincial government.

GOVERNMENT REVENUE DISBURSEMENT

The LCBO dividend does not include Provincial Sales Tax (PST), which amounted to $383 million in 2007–08.

These tables show the breakdown of $1 in net sales and how LCBO profits are shared between various levels of government.

LCBO payments to government

Dividend	61.1%
Federal – Excise & Duty	15.4%
Federal – GST	5.4%
PST	17.4%
Municipal	0.7%

Breakdown of $1 in net sales

Product cost	51.1%
Net income	33.5%
Retail and marketing	10.5%
Administration and other	2.9%
Warehousing and distribution	2.0%

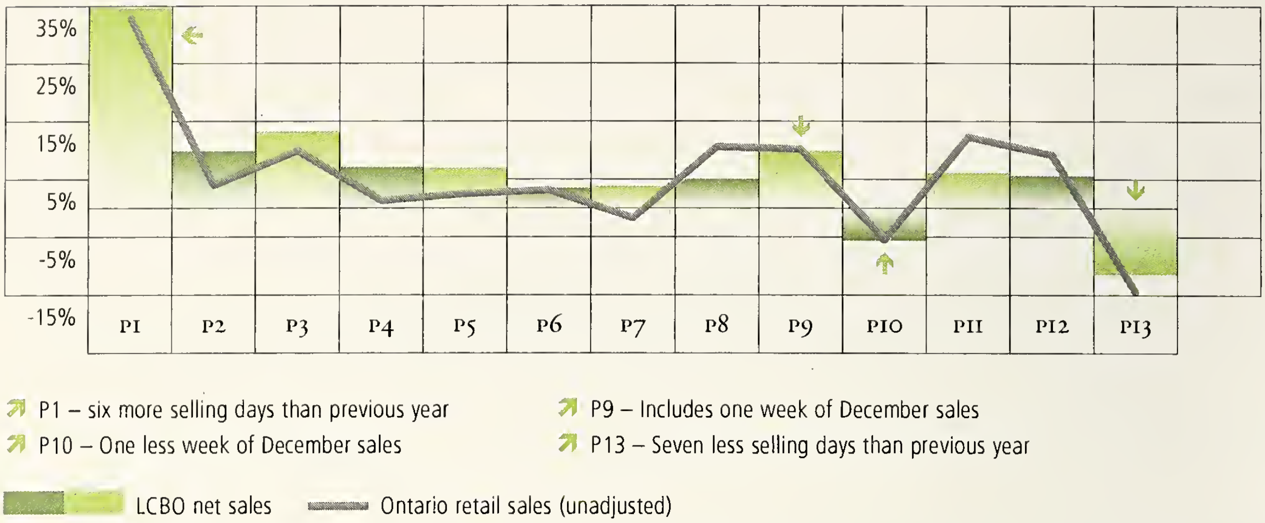
LCBO'S EXTERNAL ENVIRONMENT

LCBO net sales growth in fiscal 2007–08 was 5.5 per cent better than the previous year, outperforming Ontario's total retail sector sales growth, at 4.5 per cent, during the same period.

The second half of the year was challenging for Ontario. Consumers were pinched by higher prices at the pump. An emerging economic slowdown in the United States and a strong Canadian dollar hampered the province's export-sensitive manufacturing sector. A combination of these factors, as well as border-crossing concerns, kept many U.S. visitors away while many Ontarians took advantage of the favourable exchange rate and headed across the border in search of deals.

Despite these challenges, the province managed to improve real GDP performance by 2.1 per cent in 2008 with an unemployment rate of 6.4 per cent. This supported modest growth of beverage alcohol sales.

The following chart shows LCBO sales growth versus Ontario retail sales during the year.



Note: Ontario retail sales are calculated using unadjusted monthly sales reported by Statistics Canada and translated into LCBO fiscal period equivalents based on number of selling days. LCBO's fiscal year is divided into 13 selling periods.

During the first half of the year, the LCBO benefited from favourable weather, the Stanley Cup final run by the Ottawa Senators, and the U-20 FIFA World Cup hosted (in part) by Toronto. Sales were also boosted by an increase in federal excise rates in Period 6 of 2006–07, which increased prices on most products, and a spirits floor price increase in Period 8 of 2006–07.

Over the latter half of 2007–08, LCBO sales were primarily impacted by harsh winter weather and the stronger loonie (as evidenced in southwestern Ontario in particular). Gross margin was tempered in Periods 12 and 13 by the domestic spirits harmonization initiative[1], which shaved margin and net income by approximately $2.0 million.

SALES BY REGION

LCBO's four retail regions experienced positive year-over-year net sales growth in fiscal 2007–08 and all but Western Region were favourable to budget. The lower sales growth in Western Region was largely attributable to a sluggish economy in Windsor, lower tourism in the Niagara region and later-than-planned opening of new stores in Kitchener and Brantford.

The following table shows how net sales in each region fared compared both to plan and the previous year.

Region	2007–08 ($000)	change from 2006–07	variance from plan
Northern	508,543	5.4%	2.1%
Eastern	836,715	4.8%	0.4%
Central	1,298,062	5.4%	0.9%
Western	901,582	3.9%	-0.9%

[1] The LCBO reduced the mark-up on spirits on February 4, 2008 at the request of the Ontario government to ensure the consistent treatment of comparable spirits products and to enhance economic opportunity and growth.

COMPARABLE STORE SALES

"Comparable stores" are defined as stores that have been open in their present location for more than two years. "Non-comparable stores" include stores open less than two years and closed stores. In 2007–08, non-comparable stores saw net sales rise 25.8 per cent over the previous year, almost eight times the 3.3 per cent growth posted by comparable stores.

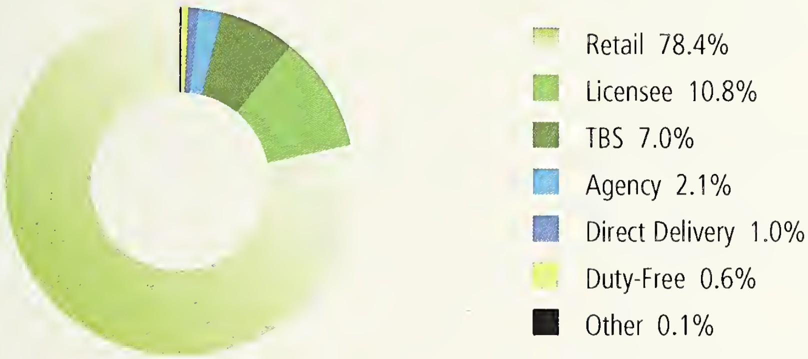
SALES BY CHANNEL

LCBO retail sales, defined as sales to home consumers, increased by 5.3 per cent over last year to $3.22 billion. Retail sales as a share of total LCBO sales held steady at 78.4 per cent while the licensee channel slipped and sales to The Beer Store (TBS) picked up.

Licensee sales, which include sales to hotels and restaurants, experienced sales growth of 4.2 per cent in 2007–08, to $446 million from $428 million the previous year. As a percentage of total LCBO sales, licensee sales declined 0.2 points to 10.8 per cent.

LCBO wholesale sales to TBS rose 8.7 per cent to $287 million during the year. The increase pushed sales to TBS as a percentage of total LCBO sales up 0.2 points to 7.0 per cent.

Breakdown of LCBO sales by channel



LCBO sales to duty-free stores at land border points decreased for the third consecutive year, falling 6.8 per cent compared to the previous year. This was the result of fewer visitors from the U.S. travelling to Ontario in the face of a less favourable currency exchange, higher gas prices and border crossing concerns.

Seventeen new agency stores increased agency channel sales in 2007–08 to $86 million, a year-over-year increase of 9.9 per cent. Agency stores account for 2.1 per cent of LCBO sales.

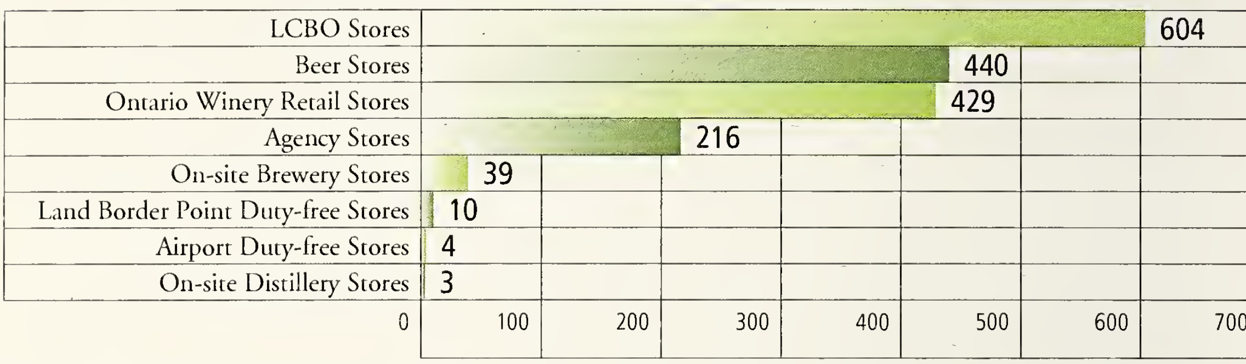
The direct delivery program, which allows Ontario wineries to deliver their products – predominantly VQA wines – directly to licensees, posted strong net sales growth, increasing by 9.7 per cent over last year. During fiscal 2007–08, sales through the direct delivery sales channel represented 16.0 per cent of the total value of the licensee market for wine, compared to 16.2 per cent the previous year.

LCBO IN THE SHARED MARKETPLACE

The LCBO operates in a shared marketplace along with other retailers of beverage alcohol, including The Beer Store (TBS), which is owned by Molson-Coors, Labatt (InBev SA) and Sleeman (Sapporo), Ontario winery retail stores (WRS), on-site brewery stores, agency stores, duty-free operators and on-site distillery stores. As of March 31, 2008, there were 1,745 outlets selling alcohol in Ontario.

Here is what the market looked like at March 31, 2008:

Ontario's alcohol marketplace by number of outlets



Note: When the LCBO's 604 stores and Ontario's 216 agency stores are combined, the total market share is approximately 47 per cent.

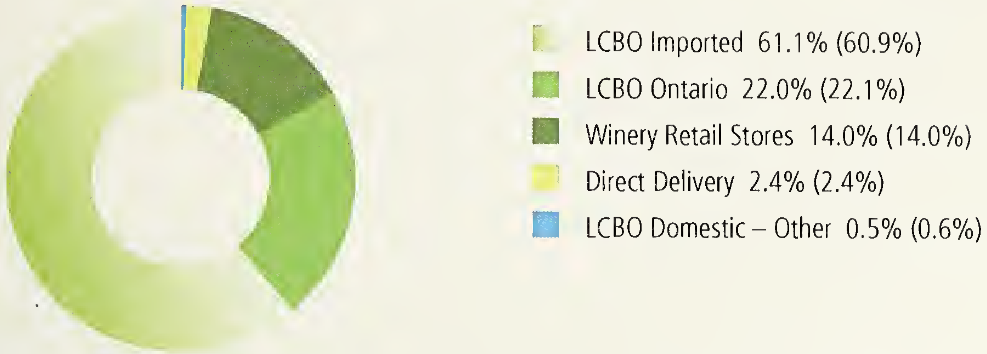
CHANGES IN MARKET SHARE

The total Ontario beverage alcohol marketplace, which includes LCBO, TBS, WRS, as well as other legal, homemade and illegal channels, amounted to more than $9.0 billion in gross sales in 2007–08. The LCBO's market share by value increased from 50.7 per cent in 2006–07 to 50.8 per cent this year.

Ontario wine market volume sales increased by 3.6 per cent in 2007–08. Imported wine accounted for 61.1 per cent of wines sold in the province, up from 60.9 per cent a year earlier. Wine from Ontario, sold through the LCBO and winery retail stores, as well as delivered directly by Ontario wineries, declined slightly to 38.4 per cent from 38.5 per cent the year before. The growing interest in New World wines supported the increase in imported wine sales.

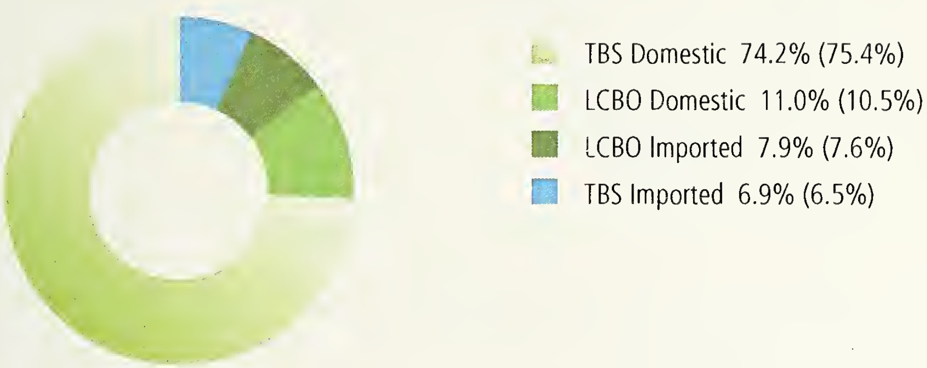
Direct delivery wine sales, whereby Ontario wineries deliver products directly to licensees, showed no change in year-over-year volume market share at 2.4 per cent in 2007–08.

Wine volume market share, 2007–08 (2006–07 share in brackets)



Ontario beer sales volume advanced 1.9 per cent in 2007–08. Beer sold at the LCBO, excluding sales to TBS, grew by 6.7 per cent, while sales at TBS increased 0.84 per cent compared to the previous year. Subsequently, LCBO's volume market share increased to 18.9 per cent from 18.1 per cent in 2006–07. TBS's volume market share declined to 81.1 per cent from 81.9 per cent over the same period.

Beer volume market share, 2007–08 (2006–07 share in brackets)



OPERATING RESULTS

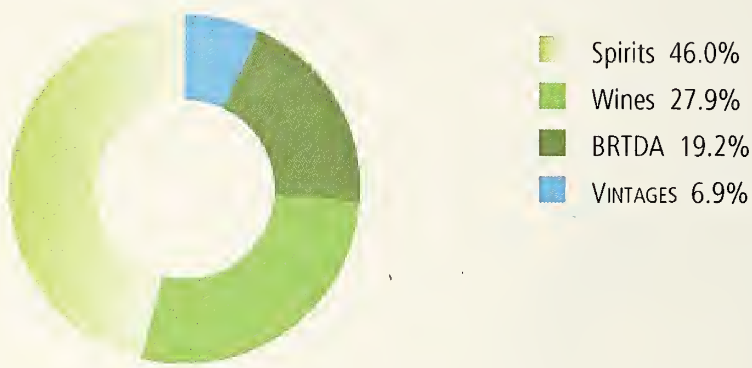
Gross Margin

Gross margin improved 5.4 per cent from the previous year, up to $2.01 billion in 2007–08 from $1.91 billion in 2006–07, and exceeded plan by 0.7 per cent. Gross margin expressed as a percentage of net sales came in at 48.9 per cent, the same as last year and slightly below plan of 49.0 per cent. Higher beer sales had a downward effect on gross margin growth. In addition, the domestic spirits mark-up harmonization initiative effective in Period 12 deflated margin by approximately $2.0 million.

Wine and spirits were the main contributors to the increase in the gross margin, accounting for a respective 38.6 per cent and 38.0 per cent of the increase. Beer accounted for 23.6 per cent while non-liquor products made up the remaining amount. LCBO receives the highest margin per dollar of net sales on its spirits products at 57.4 cents per net sales dollar. Wine contributes 49.1 cents per net sales dollar while beer accounts for 35.7 cents. (Note: These margin numbers include sales through VINTAGES.)

Spirits accounted for the largest proportion of gross margin at 46 per cent due to higher margins on spirits products. Wines and VINTAGES accounted for approximately 28 per cent and seven per cent of share of margin, respectively, while Beer, Ready-to-Drink and Accessories (BRTDA) represented just over 19 per cent.

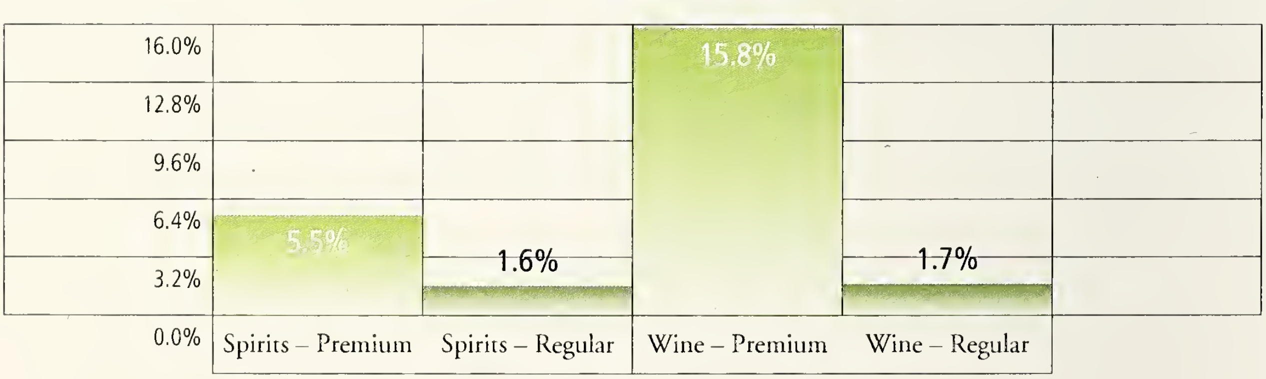
Share of margin by buyer, 2007–08



Note: Excludes private ordering

In 2007–08, spirits products priced higher than $30 for a 750 mL bottle increased by 5.5 per cent compared to a 1.6 per cent improvement for other spirits products. Premium wine, with a price of $15 or more, posted a 15.8 per cent increase during the year, compared to 1.7 per cent for all other wines. The trend toward premium products extends to beer as well, but this has no effect on LCBO margins because beer mark-ups are flat: they do not change along with the product's value, as is the case with wine and spirits.

Premium product sales grow at a faster rate (year over year volume growth)



Beer sales as a share of total LCBO sales volume increased to 50.7 per cent from 49.6 per cent in 2007–08, while volume sales for wine and spirits decreased to 28.9 per cent from 29.2 per cent and to 20.5 per cent from 21.1 per cent, respectively.

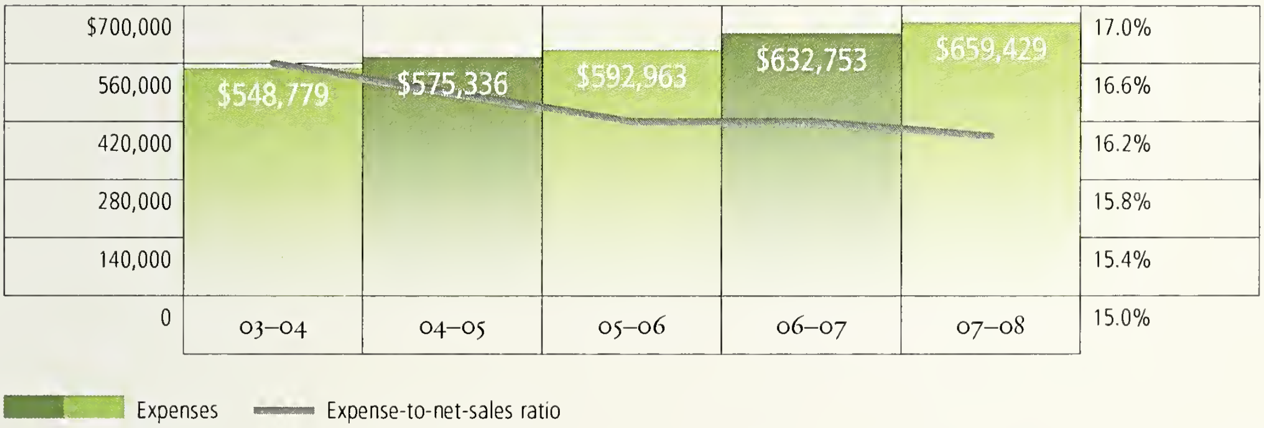
Change in share of LCBO sales volume

Expenses

Expense control was effective throughout the year. Total expenses came in at $659 million, 1.8 per cent below budget and 4.2 per cent higher than last year. The increase was primarily due to planned wage increases, increased sales activities and costs related to the Ontario Deposit Return Program.

By the end of 2007–08, the expense-to-net-sales ratio improved to 16.1 per cent from the previous year's level of 16.2 per cent. Each one per cent reduction in operating expenses translates into $40 million in savings.

Expense trend (values in $000)



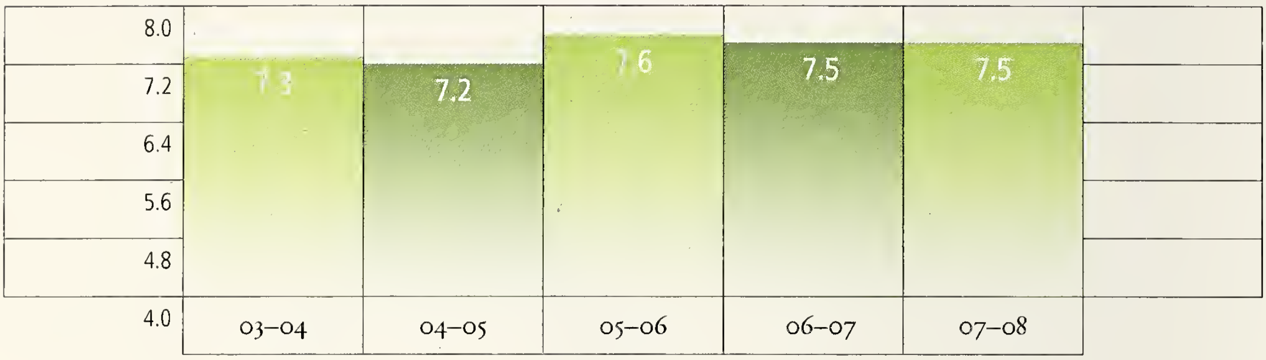
Head office expenses were 5.6 per cent below budget, increasing 3.0 per cent from the earlier year to $116 million. Warehouse expenses increased by 8.4 per cent to $54 million, and were 6.2 per cent over plan resulting from unplanned labour costs at the Durham facility to support increased shipments. Store expenses were up 4.8 per cent to $364 million, 1.1 per cent over plan, primarily due to higher repairs and maintenance and salaries and benefits expenses. The growth in store expenses was less than the growth in sales.

Inventory

Total inventory turns held steady in 2007–08, remaining at 7.5 despite a planned turnover of 7.7. Beer and spirits inventory turns improved to 17.6 and 8.8, respectively, while turns for wines, excluding VINTAGES, declined to 6.0. VINTAGES inventory turns decreased from 3.2 to 3.1.

Wholesale inventory turns decreased to 12.1 in 2007–08, down from 12.3 a year ago and below the 12.5 plan. Retail inventory turns remained static at 14.2, the same as last year, but below the planned 14.4.

Total inventory turns



Financial and Operating Ratios

Income statement ratios performance were favourable in 2007–08.

Administrative expenses remained steady at 1.5 per cent of net sales, similar to last year and plan. Operating expenses as a percentage of net sales were 11.5 per cent, improving from last year and plan both at 11.6 per cent. Higher net sales and expense control during the year contributed to these results.

Gross margin as a percentage of net sales was static to last year's ratio of 48.9 per cent, but slightly below the planned ratio of 49.0 per cent in 2007–08. This is due to the continued sales growth in premium products offset somewhat by higher-than-planned beer sales and the domestic spirits mark-up harmonization initiative, which took effect February 4, 2008.

Productivity Ratios

To help track expenses and identify where improvements are occurring or are needed, the LCBO sets targets for many productivity ratios each year. For example, the store expenses-to-sales ratio shows what percentage of net sales is needed to pay retail expenses such as salaries, store rents and other expenses. A declining store expenses-to-sales ratio means that employees are becoming more productive.

Retail – Financial and Operating Highlights

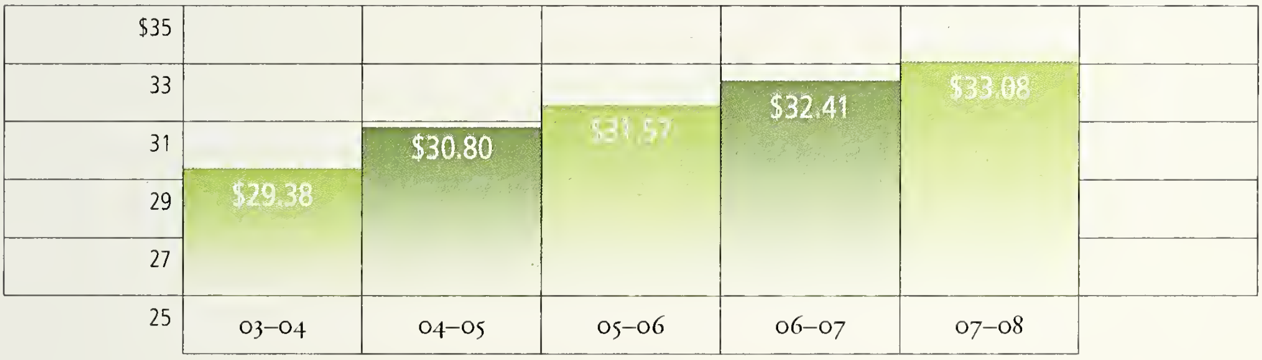
	03–04	04–05	05–06	06–07	07–08
Store salary to sales	7.1%	7.0%	7.0%	6.8%	6.8%
Store expenses as percentage of sales	10.3%	10.4%	10.3%	10.0%	10.0%
Store salary per unit sold	$ 0.78	$ 0.76	$ 0.76	$ 0.74	$ 0.72
Store expenses per unit sold	$ 1.13	$ 1.13	$ 1.12	$ 1.08	$ 1.05
Unit sales per hour	32.3	33.5	34.9	36.7	38.6
Sales per customer	$ 29.38	$ 30.80	$ 31.57	$ 32.41	$ 33.08
Sales per square foot	$ 1,800	$ 1,859	$ 1,816	$ 1,898	$ 1,885

For the retail channel, store salaries as a percentage of net sales held steady to the year earlier at 6.8 per cent in 2007–08. Store salaries per unit sold, at $0.72, was $0.02 favourable to last year and better than the planned value of $0.75.

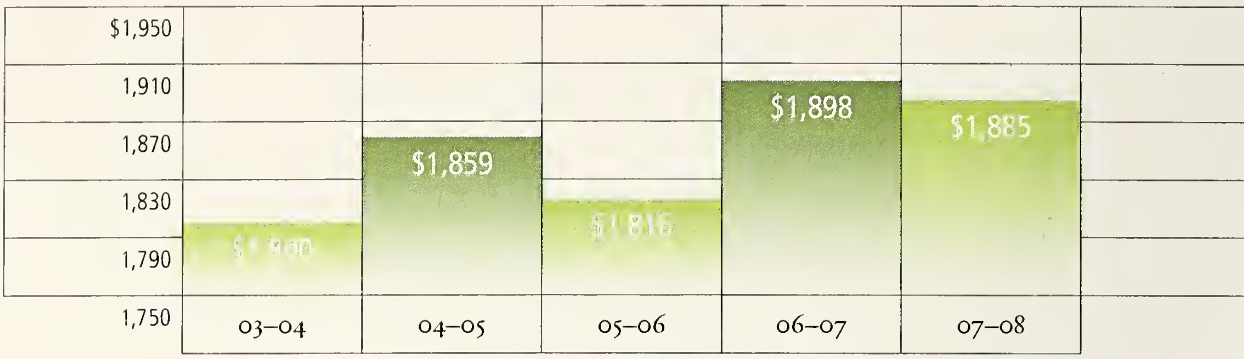
Store expenses as a percentage of sales stayed at 10.0 per cent, just over the planned proportion of 9.9 per cent. Store expenses per unit sold came in at $1.05, outperforming the plan figure of $1.10 and improving from the 2006–07 value of $1.08.

Sales per customer figures have improved significantly over the past five years, rising from $29.38 in 2003–04 to $33.08 in 2007–08. These results highlight the trend toward premium products. Over the last five years, store sales per square foot increased by almost five per cent, rising to $1,885. This is below last year's figure of $1,898, but better than the planned figure of $1,882.

Average sales per customer



Average sales per square foot



For the logistics channel, distribution cases per hour improved to 70 in 2007–08, better than last year's 68 but below the target of 73.

Warehouse cost per case increased to $1.19 compared to $1.14 a year earlier. This was primarily due to higher labour and freight costs. Salary cost per case rose to $0.98, $0.04 more than in 2006–07. Freight expense per case grew $0.05 from previous year to $1.79. This increase was driven by the rising cost of fuel.

As a percentage of sales, inbound freight has increased since 2003–04 while outbound freight has remained steady. Compared to last year, each figure held constant.

Logistics – Financial and Operating Highlights

	03–04	04–05	05–06	06–07	07–08
Warehouse salary cost per case	$ 0.82	$ 0.90	$ 0.93	$ 0.94	$ 0.98
Warehouse cost per case	$ 1.03	$ 1.11	$ 1.16	$ 1.14	$ 1.19
Distribution cases per hour	64	62	64	68	70
Distribution expenses per case	$ 0.62	$ 0.66	$ 0.68	$ 0.67	$ 0.70
Freight expense per case	$ 1.40	$ 1.52	$ 1.67	$ 1.73	$ 1.79
Inbound freight as percentage of sales	2.5%	2.5%	2.7%	2.8%	2.8%
Outbound freight as percentage of sales	0.7%	0.7%	0.7%	0.7%	0.7%

Capital Expenditures

As part of our five-year strategic plan to help customers discover the world of beverage alcohol, most of the capital budget was again allocated to upgrading more retail stores to current corporate standards and improving service in markets where population growth is occurring or is projected.

($000)	03–04	04–05	05–06	06–07	07–08
Retail	31,896	27,981	39,650	38,292	45,101
Retail Store Development and Real Estate	351	1,639	1,310	1,025	1,126
Information Technology	6,877	6,917	7,980	7,320	7,709
Logistics	10,158	6,487	2,464	3,332	2,433
Marketing Programs	1,171	1,355	666	1,225	1,274
Other Administrative Divisions	2,981	3,084	2,466	3,022	6,016
Total Capital Expenditures	53,434	47,465	54,535	54,217	63,659

LOOKING AHEAD

The 2008–09 fiscal year will be one of continued achievement for the LCBO. Net sales are forecast at $4.284 billion, 4.3 per cent higher than 2007–08.

Gross margin is forecast to improve by 3.9 per cent to $2.087 billion. However, gross margin as a percentage of net sales is expected to decline to 48.7 per cent, down from the 2007–08 rate of 48.9 per cent, due to the domestic spirits mark-up harmonization initiative and ongoing changes in product mix.

Net income is forecast to grow to $1.420 billion in 2008–09, an increase of $45 million or 3.3 per cent year-over-year. This will be achieved through planned sales initiatives and continued expense control.

The LCBO's dividend to the government of Ontario is expected to increase for a 15th straight year to a record high of $1.400 billion, $55 million greater than in fiscal 2007–08.

Responsibility for Financial Reporting

The preparation, presentation and integrity of the financial statements are the responsibility of management. The accompanying financial statements of the Liquor Control Board of Ontario have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on management's best estimates and judgment.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the board.

The board, through the Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of three members who are not employees/officers of the LCBO, generally meets periodically with management, the internal auditors and the office of the auditor general to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the office of the auditor general. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the auditor's examination and opinion.

On behalf of management:

N. Robert Peter
President & Chief Executive Officer

J. Alex Browning
Senior Vice President, Finance & Administration, and Chief Financial Officer

June 11, 2008

Auditor's Report

To the Liquor Control Board of Ontario and to the Minister of Finance

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 2008 and the statements of income and retained income and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Toronto, Ontario
June 11, 2008

Balance Sheet

AS AT MARCH 31, 2008

($000)	2008	2007
ASSETS		
Current		
Cash and cash equivalents	141,652	135,785
Accounts receivable, trade and others	26,124	24,042
Inventories	335,355	320,675
Prepaid expenses	18,403	20,017
	521,534	500,519
Long-term		
Capital assets (NOTE 5)	247,559	233,073
	769,093	733,592
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	363,421	361,785
Current portion of accrued benefit obligation (NOTE 3)	12,825	11,943
	376,246	373,728
Long-term		
Accrued benefit obligation (NOTE 3)	52,609	48,983
Retained income	340,238	310,881
	769,093	733,592

Commitments and Contingencies (Notes 6 and 8)
See accompanying notes to financial statements.

Approved by:

Chair

Board Member, Chair
Audit Committee

Statement of Income and Retained Income

YEAR ENDED MARCH 31, 2008

($000)	2008	2007
Sales and other income	4,133,191	3,922,648
Cost and expenses		
Cost of sales	2,099,405	1,989,297
Retail stores and marketing	433,093	423,276
Warehousing and distribution	84,023	79,553
Administration	93,556	80,688
Amortization	48,757	49,233
	2,758,834	2,622,047
Net income for the year	1,374,357	1,300,601
Retained income, beginning of year	310,881	289,980
	1,685,238	1,590,581
Deduct		
Dividend paid to the Province of Ontario	1,340,000	1,275,000
Payment to municipalities on behalf of the Province of Ontario (NOTE 9)	5,000	4,700
	1,345,000	1,279,700
Retained income, end of year	340,238	310,881

See accompanying notes to financial statements.

Statement of Cash Flows

YEAR ENDED MARCH 31, 2008

($000)	2008	2007
Cash provided from operations		
Net income	1,374,357	1,300,601
Amortization	48,757	49,233
Loss (Gain) on sale of capital assets	407	(2,060)
	1,423,521	1,347,774
Net change in non-cash items		
Working capital	(13,512)	(3,767)
Accrued benefit obligation	4,508	14,492
	1,414,517	1,358,499
Cash used for investment activities		
Purchase of capital assets	(63,659)	(54,217)
Proceeds from sale of capital assets	9	2,673
	(63,650)	(51,544)
Cash used for financing activities		
Dividend paid to the Province of Ontario	(1,340,000)	(1,275,000)
Payment to municipalities on behalf of the Province of Ontario	(5,000)	(4,700)
	(1,345,000)	(1,279,700)
Increase in cash during the year	5,867	27,255
Cash and cash equivalents, beginning of year	135,785	108,530
Cash and cash equivalents, end of year	141,652	135,785

See accompanying notes to financial statements.

Notes to Financial Statements

MARCH 31, 2008

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act.* The Board transfers most of its profits to the Province of Ontario's Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Board's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Financial Instruments

The Board has adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) pertaining to financial instruments. These standards establish guidance for the recognition and measurement of financial assets and liabilities and how financial instruments gains and losses should be accounted for. Under these new standards all financial instruments are classified into one of the following five categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale financial assets or other financial liabilities.

Under the new standards all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held-to-maturity, loans and receivables and other financial liabilities, which are measured at cost or amortized cost, using the effective interest rate method.

In accordance with the new standards, the Board's financial assets and liabilities are generally classified as follows:

- cash and cash equivalents are classified as held-for-trading and recorded at fair value;
- accounts receivable, trade and others are classified as loans and receivables and are measured at amortized cost, which approximates fair value given their short-term nature; and
- accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at amortized cost.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and highly liquid investments with original maturity dates of less than 90 days.

The Board's investment policy restricts short-term investments to high-liquidity, high-grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined by the moving average cost method.

(f) Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Leasehold improvements	5 years or 10 years
Computer equipment	3 years or 4 years

Minor capital expenditures and expenditures for repairs and maintenance are charged to income.

(g) Revenue Recognition

Revenue is recognized when the sale of products is made to customers.

(h) Expense Recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

3. ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation includes accruals for employee termination payments and unfunded workers compensation obligation and unused vacation entitlements.

For the year ended March 31, 2008 the cost of these employee future benefits was $13.3 million (2007 – $23.2 million) and is included in Cost and expenses in the Statement of Income and Retained Income. The accrued benefit obligation as at March 31, 2008, is $65.4 million (2007 – $60.9 million) of which $12.8 million (2007 – $11.9 million) is classified as a current liability.

The cost of post-retirement, non-pension employee benefits is paid by the Ministry of Government and Consumer Services and is not included in the Statement of Income and Retained Income.

4. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer defined benefit pension plans established by the Province of Ontario. These plans are accounted for as defined contribution pension plans as the Board has insufficient information to apply defined benefit plan accounting. The expense represents the Board's contributions to the plans during the year.

For the year ended March 31, 2008 the expense was $17.1 million (2007 – $15.9 million) and is included in Cost and expenses in the Statement of Income and Retained Income.

5. CAPITAL ASSETS

($000)			2008	2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	13,139	–	13,139	13,139
Buildings	342,356	239,496	102,860	101,968
Furniture and fixtures	97,581	59,899	37,682	30,858
Leasehold improvements	247,524	190,670	56,854	58,732
Computer equipment	119,281	82,257	37,024	28,376
	819,881	572,322	247,559	233,073

6. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

($000)	
2009	47,457
2010	46,121
2011	44,059
2012	40,749
2013	37,672
Thereafter	287,309
	503,367

7. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying values of these instruments approximate fair value due to the short-term maturities of these instruments.

In management's opinion, the Board is not exposed to significant interest, foreign exchange or credit risks arising from these financial instruments. To manage foreign exchange risk associated with its purchases from foreign suppliers, the Board is authorized to enter into foreign exchange forward contracts, which are commitments to purchase foreign currencies at a specified date in the future at a fixed rate. As at March 31, 2008, the Board had foreign exchange forward contracts valued at $5.2 million (2007 – nil).

Credit risk is the risk that a party to a foreign exchange forward contract will fail to discharge its obligation and cause the Board to incur financial loss. The Board minimizes credit risks by dealing only with major Canadian chartered banks and Canadian subsidiaries of major foreign banks.

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at their respective fair values except under certain circumstances. When the Board enters into inventory purchase contracts in a functional currency other than the Canadian dollar or that of the supplier, an embedded derivative may exist. For the year ended March 31, 2008, management reviewed these contracts and has determined that the Board does not have any significant embedded derivatives that require separate accounting and disclosure.

8. CONTINGENCIES

The Board is involved in various legal actions arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

9. PAYMENT TO MUNICIPALITIES

In prior years, the Board was directed by the province to assist municipalities with their container recycling costs. The Board contributed $4.7 million for the year ended March 31, 2007. For the year ended March 31, 2008, the Board was directed by the province to contribute $5 million to assist municipalities with their transition costs associated with the implementation of the Ontario Deposit Return Program. The Board has been similarly directed to contribute $5 million to municipalities for the year ending March 31, 2009.

10. ONTARIO DEPOSIT RETURN PROGRAM

On November 6, 2006, the Province of Ontario entered into an agreement with Brewers Retail Inc. for management of a province-wide container deposit return program on wine, liquor and beer containers sold through the Board and Winery, on-site microbrewery and distillery retail stores. Brewers Retail Inc. was appointed the exclusive service provider for a period of five years effective February 5, 2007.

Under the program, the Board collects a deposit of 10 cents or 20 cents on wine, liquor and beer containers. The Board reimburses Brewers Retail Inc. for deposits it pays to customers who return containers to locations it operates, plus a service fee. In addition, the government directed the Board to spend $7.5 million over the first two years of the agreement to promote the program.

For the year ended March 31, 2008, the Board collected $55.7 million (2007 – $6.3 million) of deposits on containers and was invoiced $37 million (2007 – $3.8 million) by Brewers Retail Inc. for refunds to the customers.

Expenditures in connection with this program for the year ended March 31, 2008, amounted to $24.6 million (2007 – $2.5 million) for service fees to Brewers Retail Inc. and $0.8 million (2007 – $5.8 million) for promoting the program. These expenditures are included in Administration in the Statement of Income and Retained Income.

The Board's experience indicates that not all container deposits are redeemed. Based upon its redemption data and research of industry experience, part of the container deposits collected would not be redeemed. Accordingly, for the year ended March 31, 2008 the Board applied $8.2 million (2007 – nil) of unredeemed deposits as a reduction to expenditures in connection with the program.

11. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards: In February 2008, the Accounting Standards Board confirmed that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are differences on recognition, measurement and disclosures. The Board is currently evaluating the impact of the adoption of IFRS on its financial statements.

In addition, the following standards will be effective for the year ended March 31, 2009:

Financial Instruments – Disclosures and Presentation: The new standards require increased disclosure regarding the risks associated with financial instruments and how these risks are managed. In addition, they will provide for additional guidance for the classification and presentation of financial instruments and non-financial derivatives.

Inventories: The new standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories should be determined using either a first-in first-out or weighted average cost formula; and includes product and other costs incurred in bringing the inventories to their present location and condition. Reversal of previous write-downs to net realizable value are now required when there is a subsequent increase in the value of such inventories. The new standard also requires additional disclosure.

Capital Disclosures: The CICA issued new accounting standards for disclosing information about an entity's capital and how it is managed. This section requires the disclosure of an entity's objectives, policies and processes for managing capital and information regarding an entity's compliance or non-compliance with any capital requirements.

The Board is currently evaluating the impact of these standards on its financial statements.

Financial Overview

KEY INDICATORS: 2004–2008

Operations

	2004	2005	2006	2007	2008
Number of LCBO stores	598	597	598	601	604
Number of permanent employees	3,320	3,352	3,382	3,421	3,462
Number of regular products listed	3,449	3,349	3,556	3,674	3,578

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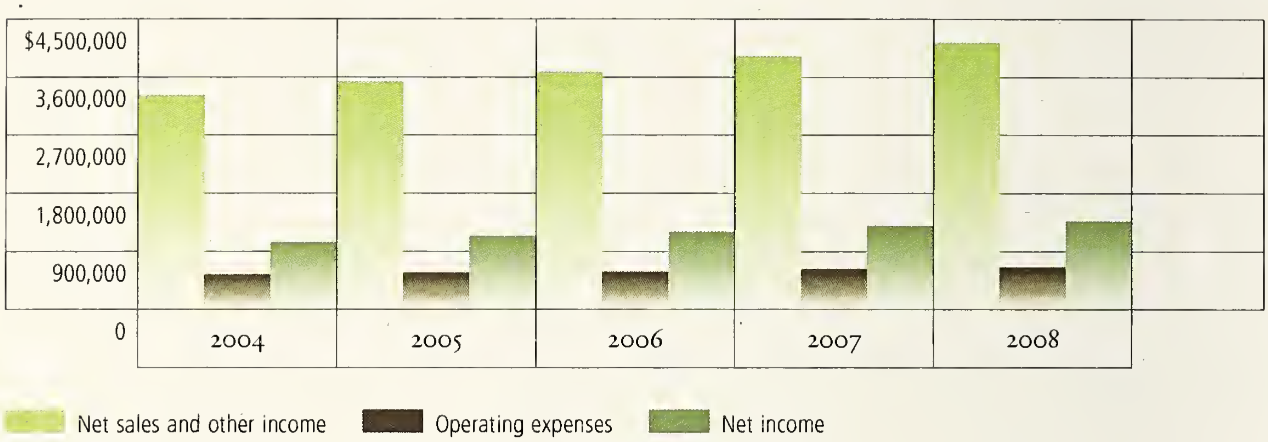
FINANCIAL INDICATORS: 2004–2008

Financial (value in $000)

	2004	2005	2006	2007	2008
Net sales and other income	3,320,681	3,532,171	3,682,919	3,922,648	4,133,191
% change/previous year	6.5%	6.4%	4.3%	6.5%	5.4%
Operating expenses	548,778	575,336	592,963	632,750	659,429
As a % of net sales & other income	16.5%	16.3%	16.1%	16.1%	16.0%
Net income	1,045,428	1,146,810	1,204,344	1,300,601	1,374,357
As a % of net sales & other income	31.5%	32.5%	32.7%	33.2%	33.3%



OPERATING EXPENSES: 2004–2008

Breakdown of operating expenses (values in $000)

	2004	2005	2006	2007	2008
Salaries and benefits	308,887	325,369	337,969	352,960	373,864
Depreciation	49,917	50,703	49,099	49,233	48,757
Other expenses	189,974	199,264	205,895	230,557	236,808
Total operating expenses	548,778	575,336	592,963	632,750	659,429

REVENUE PAYMENTS

Treasurer of Ontario (values in $000)

	2004	2005	2006	2007	2008
Remitted by the Liquor Control Board:					
on account of profits	1,040,000	1,115,000	1,200,000	1,279,700	1,345,000
Remitted by the Liquor Control Board:					
Ontario retail sales tax on sales of liquor	308,134	328,753	341,773	363,338	382,631
Remitted by the Alcohol and Gaming Commission:					
on account of licence fees and permits	487,589	488,988	516,444	499,373	505,980
Remitted by others:					
Ontario retail sales tax on sales through The Beer Store and Ontario winery retail stores	196,733	197,890	213,264	206,405	211,812
Ontario retail sales tax on sales through agency stores	7,582	9,076	9,697	10,404	11,429
Total	2,040,037	2,139,707	2,281,177	2,359,220	2,456,851

Receiver General for Canada (values in $000)

	2004	2005	2006	2007	2008
Remitted by the Liquor Control Board:					
Excise taxes and customs duties	307,366	308,514	321,350	332,839	339,202
Goods and Services Tax	103,464	119,444	124,978	119,185	119,283
Remitted by others:					
Excise taxes, GST and other duties/taxes	347,231	329,810	360,779	344,134	349,419
Goods and Services Tax remitted on sales through agency stores	4,423	5,294	5,656	5,381	5,557
Total	762,484	763,062	812,763	801,539	813,461

Ontario Municipalities (values in $000)

	2004	2005	2006	2007	2008
Remitted by the Liquor Control Board:					
Realty taxes*	12,280	13,678	14,848	15,243	15,792
Total revenue payments	2,814,801	2,916,447	3,108,788	3,176,002	3,286,104

*Note: Includes property taxes on leased properties.

VOLUME SALES (volume in 000 litres)

Product Type	2004	2005	2006	2007	2008	% change
Domestic Spirits	33,520	33,845	34,501	34,379	34,156	-0.6%
Imported Spirits	20,293	21,099	21,637	22,001	22,927	4.2%
Total Spirits	53,813	54,944	56,138	56,380	57,083	1.2%
Domestic Wine	30,948	32,528	33,491	34,337	35,521	3.4%
Imported Wine	70,118	75,150	78,528	83,575	86,847	3.9%
Total Wine	101,066	107,678	112,018	117,912	122,368	3.8%
Domestic Beer	84,891	82,273	81,373	85,641	91,592	6.9%
Imported Beer	98,388	99,228	107,422	114,463	122,817	7.3%
Total Beer	183,279	181,501	188,795	200,104	214,409	7.1%
Domestic Spirit Coolers	26,958	26,569	26,019	24,359	23,682	-2.8%
Imported Spirit Coolers	5,458	4,710	4,585	4,834	6,082	25.8%
Domestic Wine Coolers	233	136	113	62	0	-99.6%
Imported Wine Coolers	253	236	328	313	266	-15.2%
Domestic Beer Coolers	319	581	641	556	572	2.9%
Imported Beer Coolers	153	51	96	207	193	-7.0%
Total Coolers	33,374	32,282	31,782	30,332	30,795	1.5%
Total Domestic	176,869	175,933	176,137	179,335	185,523	3.5%
Total Imported	194,663	200,473	212,596	225,393	239,131	6.1%
Total	371,532	376,406	388,733	404,728	424,655	4.9%

Product Type	2004	2005	2006	2007	2008	
Sales by Ontario winery stores	17,327	17,926	18,751	19,338	20,046	3.7%
Sales by The Beer Store & brewer on-site stores	660,077	651,593	680,843	672,826	680,237	1.1%

Note: The 2008 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and understate total sales due to various brewers not reporting by the time of publication. LCBO beer sales figures include LCBO sales to TBS; of LCBO's total beer sales in litres, 67,980,950 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VOLUME SALES

2007–08	Litres (000)	% of total
Spirits	57,083	13%
Wine	122,368	29%
Beer	214,409	50%
Coolers	30,795	8%
	424,655	100%

VALUE SALES (values in $000)

Product Type	2004	2005	2006	2007	2008	% change
Domestic Spirits	781,699	813,997	834,655	866,917	875,381	1.0%
Imported Spirits	540,104	577,761	606,632	645,897	686,762	6.3%
Total Spirits	1,321,802	1,391,758	1,441,287	1,512,814	1,562,143	3.3%
Domestic Wine	266,297	287,631	297,185	318,119	338,805	6.5%
Imported Wine	859,107	945,407	1,005,253	1,108,826	1,180,669	6.5%
Total Wine	1,125,404	1,233,039	1,302,438	1,426,945	1,519,474	6.5%
Domestic Beer	303,648	301,607	297,216	310,679	332,359	7.0%
Imported Beer	372,241	403,456	444,258	473,834	514,442	8.6%
Total Beer	675,889	705,063	741,474	784,513	846,801	7.9%
Domestic Spirit Coolers	133,979	136,221	133,721	129,511	130,523	0.8%
Imported Spirit Coolers	30,137	26,968	27,524	28,552	36,631	28.3%
Domestic Wine Coolers	914	552	470	260	1	-99.7%
Imported Wine Coolers	1,402	1,309	1,915	1,906	1,702	-10.7%
Domestic Beer Coolers	1,483	2,762	3,006	2,557	2,675	4.6%
Imported Beer Coolers	543	213	400	1,223	946	-22.6%
Total Coolers	168,458	168,024	167,034	164,008	172,478	5.2%
Total Domestic	1,488,019	1,542,769	1,566,254	1,628,042	1,679,744	3.2%
Total Imported	1,803,534	1,955,115	2,085,981	2,260,238	2,421,151	7.1%
Non Liquor and Other	6,344	7,499	7,201	6,316	6,391	1.2%
Total	3,297,897	3,505,383	3,659,436	3,894,596	4,107,286	5.5%

Product Type	2004	2005	2006	2007	2008	
Sales by Ontario winery stores	153,621	164,155	176,214	187,385	198,602	6.3%
Sales by The Beer Store and brewer on-site stores	2,160,539	2,161,707	2,229,642	2,204,814	2,243,929	-1.1%

Note: The 2008 sales figures for Ontario winery stores, The Beer Store (TBS) and brewer on-site stores are unaudited and understate total sales due to various brewers not reporting by the time of publication. Value sales consist of net sales for LCBO and Ontario winery stores. LCBO beer sales figures include LCBO sales to TBS; of LCBO's total beer sales, $286,749,059 were to TBS. Prior year figures are restated annually to reflect changes in product hierarchy.

SHARE OF VALUE SALES

2007–08	$ (000)	% of total
Spirits	1,562,143	38%
Wine	1,519,474	37%
Beer	846,801	21%
Coolers	172,478	4%
	4,100,895	100%

PRODUCT LISTINGS

	2004	2005	2006	2007	2008
Domestic					
Spirits	472	430	442	440	440
Wine	432	434	447	450	463
Beer	473	433	494	491	477
Imported					
Spirits	691	680	737	761	674
Wine	1,124	1,143	1,151	1,225	1,208
Beer	257	229	285	307	316
Total regular listings	3,449	3,349	3,556	3,674	3,578
VINTAGES wines and spirits	4,250	4,464	5,953	5,633	6,927
Duty-free listings	221	229	234	231	231
Consignment warehouse and private ordering	7,286	8,204	9,483	9,225	9,434
Total product listings	15,206	16,246	19,226	18,763	20,170

Note: Product listing figures for consignment and private ordering are estimated based on invoices produced by Specialty Services. The total does not include products delisted during the fiscal year.

ONTARIO SALES CHANNEL SUMMARY (in $000)

	2004	2005	2006	2007	2008
LCBO total sales	3,857,394	4,101,684	4,284,222	4,530,392	4,724,138
The Beer Store total sales	2,638,488	2,639,319	2,686,509	2,647,897	2,719,131
Winery retail stores	182,349	195,280	208,452	227,768	233,940
Other channels:					
Legal	667,687	702,261	641,091	598,853	641,290
Homemade	148,163	157,301	153,239	142,626	155,607
Illegal	442,971	523,572	550,219	661,356	680,741
Grand total	7,937,052	8,319,418	8,523,732	8,808,892	9,154,848

Note: All figures above are shown in gross sales. The 2007 sales figure for The Beer Store (TBS) has been restated to reflect revised data from TBS. Sales values reported under the Other Channels category are estimated using the average retail price for spirits, wine and beer sold under the LCBO, winery retail stores (WRS) and TBS respectively. LCBO and TBS figures are slightly overstated due to reciprocal sales included in the totals. These sales are excluded in the table below.

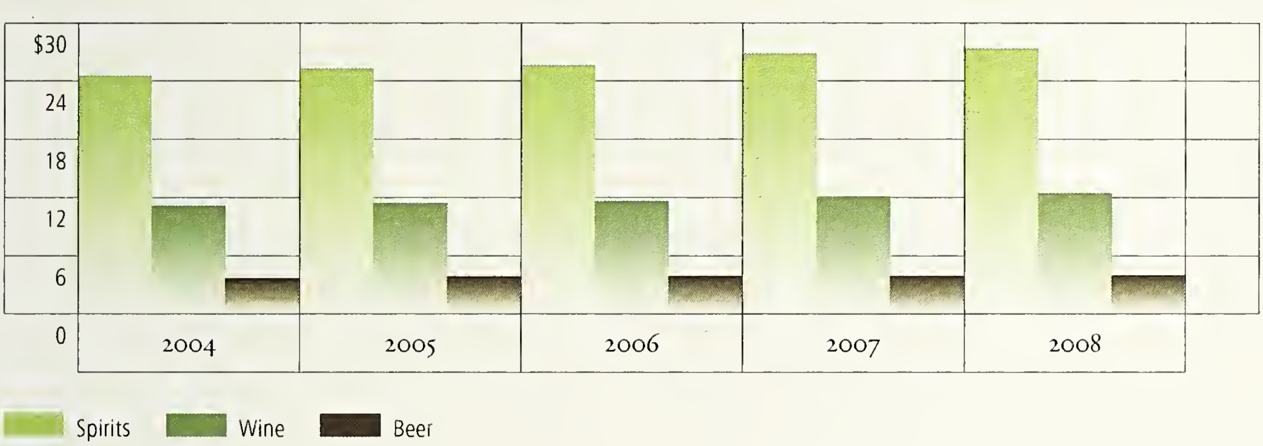
SHARE OF ONTARIO BEVERAGE MARKET

	2007–08	2006–07
LCBO	50.8%	50.7%
The Beer Store	29.5%	29.9%
Other Legal	9.2%	8.8%
Illegal	7.8%	7.9%
Winery Retail Stores	2.7%	2.7%

AVERAGE LCBO NET SALES PER LITRE (prices excludes GST and PST)

Product Type	2004	2005	2006	2007	2008
Spirits	$ 24.56	$ 25.33	$ 25.67	$ 26.83	$ 27.37
Wine	$ 11.14	$ 11.45	$ 11.63	$ 12.10	$ 12.42
Beer	$ 3.69	$ 3.88	$ 3.93	$ 3.92	$ 3.95
Average transaction value per customer	$ 32.97	$ 34.52	$ 35.55	$ 36.42	$ 37.32

Note: Includes coolers



REVENUE DISTRIBUTION

	Domestic Spirits	100% Domestic Wine	Domestic Beer
Supplier	21%	45%	42%
Federal Government	19%	4%	11%
Provincial Government	60%	51%	40%
Deposit*			7%

*Note: Deposit collected on the sale of wine and spirits is recorded as a liability, not revenue.

LCBO LITRE SALES BY CATEGORY

The tables below show the share of volume sales (in litres) held by various segments within major product categories.

	2004	2005	2006	2007	2008
Canadian Spirits					
Canadian Whisky	17.5%	17.6%	17.4%	17.4%	16.8%
Canadian Rum	8.5%	8.7%	8.8%	8.8%	8.7%
Canadian Vodka	9.0%	9.1%	9.7%	10.0%	9.9%
Canadian Liqueur	2.1%	2.3%	2.4%	2.5%	2.5%
Spirit Coolers	31.3%	30.9%	30.1%	28.5%	27.3%
Canadian Dry Gin	0.9%	0.9%	0.8%	0.8%	0.8%
Other	0.8%	0.6%	0.6%	0.5%	0.8%
Imported Spirits					
Scotch	4.5%	4.6%	4.5%	4.5%	4.4%
Liqueur	3.9%	3.9%	3.8%	3.9%	3.4%
Miscellaneous Liquors	3.0%	3.1%	3.1%	3.4%	3.9%
Vodka	4.4%	4.8%	5.0%	5.5%	6.2%
French Brandy	2.1%	2.1%	2.1%	2.1%	2.0%
Spirit Coolers	6.3%	5.5%	5.3%	5.7%	7.0%
Other	5.8%	6.1%	6.4%	6.4%	6.3%
Total Spirits (000 litres)	86,062	86,035	86,527	85,348	86,621
Canadian Wines					
White Table	14.9%	14.6%	14.5%	14.2%	14.3%
Red Table	9.0%	9.2%	9.1%	9.1%	9.2%
Rosé Table	1.0%	1.0%	1.0%	1.0%	1.0%
7% Sparkling	1.5%	1.4%	1.3%	1.2%	1.2%
Fortified	1.5%	1.5%	1.3%	1.2%	1.1%
Wine Coolers	0.2%	0.1%	0.1%	0.1%	0.0%
Other	1.6%	1.3%	1.2%	1.1%	1.1%
Imported Wines					
White Table	23.7%	22.9%	22.9%	22.5%	22.6%
Red Table	35.7%	37.6%	38.3%	39.3%	39.6%
Rosé Table	2.0%	1.7%	1.6%	1.4%	0.7%
Sparkling	2.3%	2.2%	2.2%	2.2%	2.3%
Fortified	1.9%	1.8%	1.6%	1.5%	1.4%
Wine Coolers	0.3%	0.2%	0.3%	0.3%	0.2%
Other	4.8%	4.7%	4.8%	5.0%	5.5%
Total Wine (000 litres)	96,342	102,077	105,724	111,386	115,118

LCBO LITRE SALES BY CATEGORY (CONTINUED)

	2004	2005	2006	2007	2008
Canadian Beer					
Ontario Beer	40.8%	42.3%	42.7%	42.1%	42.2%
Other Canadian Beer	8.3%	5.6%	3.0%	2.9%	2.9%
Imported Beer					
U.S. Beer	9.8%	8.9%	8.8%	9.5%	8.8%
Other Imported Beer	41.0%	43.1%	45.4%	45.4%	46.0%
Sake	0.1%	0.1%	0.1%	0.1%	0.1%
Total Beer (000 litres)	168,101	164,827	170,245	181,959	195,432
Total (000 litres)	350,505	352,939	362,496	378,693	397,171

Notes: These figures exclude private ordering and other head office sales. Prior year figures are restated annually to reflect changes in product hierarchy.

LCBO NET SALES BY CATEGORY

The tables below show the share of net sales held by various segments within major product categories.

	2004	2005	2006	2007	2008
Canadian Spirits					
Canadian Whisky	24.2%	23.8%	23.1%	22.7%	21.9%
Canadian Rum	11.4%	11.5%	11.4%	11.3%	11.0%
Canadian Vodka	12.2%	12.2%	12.7%	13.0%	12.7%
Canadian Liqueur	2.5%	2.7%	2.8%	2.9%	2.9%
Spirit Coolers	9.0%	8.8%	8.4%	7.8%	7.6%
Canadian Dry Gin	1.2%	1.2%	1.1%	1.0%	1.0%
Other	0.8%	0.7%	0.6%	0.6%	1.2%
Imported Spirits					
Scotch	8.0%	8.0%	7.9%	7.8%	7.8%
Liqueur	6.3%	6.1%	6.0%	6.0%	5.1%
Miscellaneous Liquors	4.5%	4.6%	4.5%	4.9%	5.7%
Vodka	5.7%	6.3%	6.7%	7.3%	8.6%
French Brandy	3.9%	3.8%	3.7%	3.7%	3.6%
Spirit Coolers	2.0%	1.7%	1.7%	1.7%	2.1%
Other	8.2%	8.7%	9.4%	9.3%	8.8%
Total Spirits ($000)	1,483,035	1,551,337	1,598,743	1,667,000	1,724,763
Canadian Wines					
White Table	10.8%	10.5%	10.4%	10.2%	10.3%
Red Table	7.1%	7.2%	7.0%	7.1%	7.2%
Rosé Table	0.7%	0.7%	0.7%	0.7%	0.7%
7% Sparkling	0.9%	0.8%	0.8%	0.7%	0.7%
Fortified	1.0%	1.0%	0.9%	0.8%	0.8%
Wine Coolers	0.1%	0.0%	0.0%	0.0%	0.0%
Other	1.9%	1.7%	1.7%	1.6%	1.5%
Imported Wines					
White Table	22.3%	22.0%	22.3%	22.1%	22.2%
Red Table	43.5%	44.9%	45.3%	46.3%	46.6%
Rosé Table	1.6%	1.3%	1.3%	1.2%	0.7%
Sparkling	4.2%	4.2%	4.2%	4.2%	4.3%
Fortified	2.2%	2.1%	2.0%	1.8%	1.6%
Wine Coolers	0.1%	0.1%	0.2%	0.1%	0.1%
Other	3.7%	3.4%	3.3%	3.3%	3.4%
Total Wine ($000)	1,056,975	1,151,038	1,209,678	1,326,596	1,404,327

LCBO NET SALES BY CATEGORY (CONTINUED)

	2004	2005	2006	2007	2008
Canadian Beer					
Ontario Beer	38.7%	39.4%	39.0%	38.3%	38.1%
Other Canadian Beer	7.8%	5.6%	3.4%	3.2%	3.2%
Imported Beer					
U.S. Beer	8.3%	7.8%	7.8%	8.4%	8.1%
Other Imported Beer	44.9%	46.8%	49.4%	49.8%	50.3%
Sake	0.3%	0.4%	0.4%	0.4%	0.4%
Total Beer ($000)	641,364	653,391	679,264	723,221	780,068
Total ($000)	3,181,374	3,355,766	3,487,685	3,716,817	3,909,157

Notes: These figures exclude private ordering and other head office sales. Prior year figures are restated annually to reflect changes in product hierarchy.

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – SPIRITS

Country		Net Sales ($)	Litres
Canada	$	995,702,055	57,577,299
United Kingdom	$	208,103,425	9,377,766
France	$	108,031,810	2,858,112
United States	$	107,299,720	5,667,790
Ireland	$	65,925,742	2,204,528
Sweden	$	50,040,981	1,974,617
Mexico	$	42,830,506	1,263,349
Italy	$	35,766,856	1,333,759
Germany	$	18,956,111	626,463
Russia	$	15,842,148	627,312
Finland	$	12,974,288	501,999
Poland	$	12,413,654	415,823
Jamaica	$	5,669,928	190,951
Netherlands	$	4,969,930	237,741
Barbados	$	4,517,460	158,948
South Africa	$	4,174,651	149,452
New Zealand	$	3,910,049	495,238
Greece	$	3,844,829	156,750
Cuba	$	3,562,247	122,465
Switzerland	$	3,388,515	104,656
Guyana	$	1,313,328	42,934
Bermuda	$	1,122,118	40,698
Nicaragua	$	1,113,962	37,906
Portugal	$	1,109,797	36,204
Puerto Rico	$	971,939	22,867
Croatia	$	897,238	30,074
Austria	$	831,303	18,796
South Korea	$	827,648	57,082
Spain	$	773,402	29,904
Serbia and Montenegro	$	768,862	25,982
Czech Republic	$	716,585	10,661
U.S. Virgin Islands	$	715,820	36,672
Bahamas	$	695,913	20,077
Hungary	$	688,181	25,331
Ukraine	$	644,144	22,883
Trinidad	$	640,749	17,765
Lebanon	$	466,872	16,812

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – SPIRITS (CONTINUED)

Country		Net Sales ($)	Litres
China	$	390,060	9,157
India	$	376,744	14,731
Iceland	$	363,946	9,330
Dominican Republic	$	313,604	12,655
Denmark	$	276,886	14,120
Japan	$	270,099	6,043
Brazil	$	229,895	8,116
Turkey	$	150,804	4,521
Venezuela	$	91,427	2,585
Israel	$	61,870	2,630
Republic of Armenia	$	18,823	442
Sri Lanka	$	5,149	201
British Virgin Islands	$	1,315	55
Saint Lucia	$	87	6
Belgium	$	(28)	(1)
Total	$	1,724,773,447	86,622,255

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – WINE

Country		Net Sales ($)	Litres
Canada	$	296,566,234	32,148,498
Italy	$	253,502,293	19,953,316
Australia	$	249,618,397	16,664,230
France	$	199,966,689	13,139,017
United States	$	140,085,481	10,887,838
Chile	$	72,332,790	6,430,009
South Africa	$	40,766,913	3,478,420
Spain	$	35,923,730	2,370,211
Portugal	$	26,239,600	2,046,285
New Zealand	$	24,411,136	1,220,322
Germany	$	22,290,434	1,922,284
Argentina	$	22,067,874	1,800,878
United Kingdom	$	7,729,109	1,701,147
Greece	$	3,940,148	415,028
Hungary	$	2,264,866	234,012
Japan	$	1,482,203	89,556
Serbia and Montenegro	$	1,110,377	123,961
Israel	$	865,208	61,031
Ireland	$	813,905	177,412
Belgium	$	642,518	105,942
Bulgaria	$	635,430	74,375
Austria	$	608,823	37,506
Poland	$	421,348	27,575
Republic of Moldova	$	414,533	41,651
Romania	$	375,109	34,190
Jamaica	$	310,939	25,413
Georgia	$	257,316	15,241
South Korea	$	225,736	9,738
Mexico	$	203,370	17,439
Macedonia	$	200,016	27,773
Denmark	$	161,734	12,411
Ukraine	$	157,522	8,210
Lebanon	$	129,226	7,995
Uruguay	$	101,569	8,487
Croatia	$	61,628	5,901
Switzerland	$	53,087	2,503
Luxembourg	$	38,102	1,802

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – WINE (CONTINUED)

Country		Net Sales ($)	Litres
Tunisia	$	32,356	2,079
Cyprus	$	31,751	1,692
Brazil	$	19,242	1,158
Slovenia	$	13,132	893
India	$	4,510	374
Slovakia	$	101	6
Total	$	1,407,076,485	115,333,808

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – BEER

Country		Net Sales ($)	Litres
Canada	$	322,197,894	88,030,977
Netherlands	$	114,008,941	25,525,565
Mexico	$	108,848,791	24,104,966
United States	$	63,628,855	17,454,137
Belgium	$	43,765,904	9,229,646
Germany	$	32,142,718	8,652,050
Ireland	$	19,358,708	3,838,070
United Kingdom	$	14,788,282	3,106,673
Denmark	$	14,123,016	3,889,218
Poland	$	12,107,883	3,280,543
Czech Republic	$	8,650,979	2,298,880
Brazil	$	3,802,805	859,614
Jamaica	$	2,822,161	577,451
France	$	2,791,490	682,032
Austria	$	2,658,031	828,908
China	$	1,514,052	351,778
Slovakia	$	1,159,111	292,694
Argentina	$	1,015,962	254,254
Italy	$	986,344	225,066
Thailand	$	947,490	194,837
Singapore	$	927,384	261,745
Trinidad	$	900,578	211,625
Portugal	$	649,050	166,774
Japan	$	629,970	155,124
Slovenia	$	402,750	109,072
Ukraine	$	353,048	99,001
Lithuania	$	324,393	87,483
Russia	$	318,731	90,967
South Africa	$	251,283	70,283
Australia	$	182,238	43,968
Sri Lanka	$	172,253	36,637
Greece	$	157,761	37,699
Philippines	$	134,822	27,583
Latvia	$	132,866	38,852
Kenya	$	122,212	23,517
New Zealand	$	111,580	23,044
Estonia	$	100,689	27,922

LCBO SALES BY COUNTRY OF ORIGIN 2007–08 – BEER (CONTINUED)

Country		Net Sales ($)	Litres
Cuba	$	62,170	13,189
Vietnam	$	54,364	12,839
Total	$	777,307,562	195,214,684

Note: Net value represents net sales excluding private ordering sales. In fiscal 2007–08, the LCBO sold products from 74 different countries.

CREDITS

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This annual report is printed on paper that contains 100% postconsumer waste (PCW) recycled fiber and manufactured with windpower.

The following environmental savings were achieved:

Savings from the use of PC recycled fiber in place of virgin fiber:
7.39 trees preserved for the future
21.35 lbs waterborne waste not created
3,140 gallons wastewater flow saved
347 lbs solid waste not generated
684 lbs net greenhouse gases prevented
5,236,000 BTUs energy not consumed

Savings from the use of emission-free wind-generated electricity:
355 lbs air emissions not generated
Displaces this amount of fossil fuel:
846 cubic feet natural gas unused
In other words, savings from the use of wind-generated electricity are equivalent to:
not driving 385 miles
OR
planting 24 trees